

INITIATIVE 222

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 222 to the Legislature is a true and correct copy as it was received by our office.

1 AN ACT Relating to revenue and taxation; amending RCW 43.84.092;
2 adding new sections to chapter 43.135 RCW; repealing RCW 43.135.010,
3 43.135.025, 43.135.035, 43.135.045, 43.135.055, 43.135.060, 43.135.080,
4 43.135.902, 43.135.903, 43.135.904, and 43.88.033; and providing an
5 effective date.

6 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** (1) The people of the state of Washington
8 hereby find and declare:

9 (a) The continuing increases in our state tax burden upon those
10 least able to bear them is contrary to the interest of the people of
11 the state of Washington.

12 (b) It is necessary to limit the rate of growth of state tax
13 revenue while assuring adequate funding of essential services,
14 including basic education as defined by the legislature and a growing
15 number of underfunded services for children and young adults.

16 (2) It is therefore the intent of this chapter to:

17 (a) Establish a limit which will assure that the growth rate of
18 state tax revenue does not exceed the growth rate of state personal
19 income;

(b) Assure that local governments are provided funds adequate to render those services deemed essential by their citizens;

(c) Assure that the state does not impose, on any taxing district, responsibility for new programs or increased levels of service under existing programs unless the costs thereof are paid by the state;

(d) Provide for adjustment of the limit when costs of a program are transferred between the state and another political entity; and

(e) Establish a procedure for exceeding this limit in emergency situations.

NEW SECTION. **Sec. 2.** As used in this chapter, the following terms have the meanings indicated unless the context requires otherwise:

(1) "State tax revenue" means all state moneys received in the treasury from every source except those revenues excluded from the term general state revenues by Article VIII, section (1)(c) of the state Constitution and funds raised through the state property tax levied for the support of the common schools under RCW 84.52.065.

(2) "State personal income" means the dollar amount published as total personal income of persons of the state for the calendar year by the United States department of commerce or its successor agency.

(3) "State tax revenue limit" or "limit" means the state tax revenue limit created by this chapter.

(4) "Taxing district" means those districts included within the term taxing district under RCW 84.04.120.

(5) "State personal income ratio," for any calendar year, means the quotient formed by dividing (a) state personal income for the calendar year under consideration by (b) the state personal income for the immediately preceding calendar year.

NEW SECTION. **Sec. 3.** (1) The state tax revenue limit for any fiscal year shall be the previous fiscal year's state tax revenue limit multiplied by the average state personal income ratio for the three calendar years immediately preceding the beginning of the fiscal year for which the limit is being computed.

(2) For purposes of computing the state tax revenue limit for the fiscal year beginning July 1, 2001, the phrase "the previous fiscal year's state tax revenue limit" means the state tax revenue collected in the fiscal year beginning July 1, 1999, multiplied by the average

1 state personal income ratio for the calendar years 1997, 1998, and
2 1999.

3 NEW SECTION. **Sec. 4.** Except as provided in section 5 of this act,
4 taxes, fees, and charges on persons, property, and activities shall be
5 imposed, levied, or set by the legislature in such a manner that the
6 estimated state tax revenue for each fiscal year of the next biennium
7 will not exceed the state tax revenue limit for that fiscal year:
8 PROVIDED, That the legislature may at any time adjust such taxes, fees,
9 and charges for the second fiscal year of the biennium.

10 NEW SECTION. **Sec. 5.** (1) The state tax revenue limit for any
11 fiscal year may be exceeded in order to meet an emergency as declared
12 by the legislature by a three-fifths vote of each house. The
13 legislature, by a three-fifths vote of each house, shall set forth the
14 circumstances constituting the emergency and the amount of state tax
15 revenue in excess of the applicable state tax revenue limit necessary
16 to meet the emergency.

17 (2) Any amount of state tax revenue authorized by subsection (1) of
18 this section in excess of the state tax revenue limit shall be
19 authorized only for the fiscal year in which the vote is taken and/or
20 the next succeeding fiscal year, as directed by the legislature.

21 (3) Except where the emergency results from a court order, the
22 amount of state tax revenue authorized under subsection (1) of this
23 section in excess of the limit shall not be used in the revenue base
24 used to compute the state tax revenue limit for subsequent years.

25 NEW SECTION. **Sec. 6.** (1) The legislature shall not impose
26 responsibility for new programs or increased levels of service under
27 existing programs on any taxing district unless the districts are
28 reimbursed for the costs thereof by the state.

29 (2) That proportion of state tax revenue which consists of direct
30 state appropriations to taxing districts taken as a group shall not be
31 decreased below that proportion appropriated in the biennium
32 immediately preceding the effective date of this section: PROVIDED,
33 That this proportion shall be decreased in any fiscal year only if:
34 (a) The legislature decreases the state tax revenue limit for that
35 fiscal year by an amount equal to the dollar amount of any decrease in
36 direct state appropriations to taxing districts taken as a whole; or

(b) the state tax revenue limit has been increased under section 5(3) of this act or subsection (3) of this section and the decrease of the proportion is commensurate with the increase in the state tax revenue limit.

(3) If by order of any court, or legislative enactment, the costs of a federal or taxing district program are transferred to or from the state, the otherwise applicable state tax revenue limit shall be increased or decreased, as the case may be, by the dollar amount of the costs of the program.

(4) The legislature, in consultation with the office of financial management or its successor agency, shall determine the costs of any new programs or increased levels of service under existing programs imposed on any taxing district or transferred to or from the state.

NEW SECTION. **Sec. 7.** The legislature shall, prior to any other appropriation, provide for the payment of the principal and interest of the indebtedness of the state. State tax revenue collected in any fiscal year in excess of the state tax revenue limit for that fiscal year shall be included as part of the state tax revenue for the succeeding fiscal year.

Sec. 8. RCW 43.84.092 and 1998 c 341 s 708 are each amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or

1 allocations shall occur prior to the distributions of earnings set
2 forth in subsection (4) of this section.

3 (3) Except for the provisions of RCW 43.84.160, the treasury income
4 account may be utilized for the payment of purchased banking services
5 on behalf of treasury funds including, but not limited to, depository,
6 safekeeping, and disbursement functions for the state treasury and
7 affected state agencies. The treasury income account is subject in all
8 respects to chapter 43.88 RCW, but no appropriation is required for
9 payments to financial institutions. Payments shall occur prior to
10 distribution of earnings set forth in subsection (4) of this section.

11 (4) Monthly, the state treasurer shall distribute the earnings
12 credited to the treasury income account. The state treasurer shall
13 credit the general fund with all the earnings credited to the treasury
14 income account except:

15 (a) The following accounts and funds shall receive their
16 proportionate share of earnings based upon each account's and fund's
17 average daily balance for the period: The capitol building
18 construction account, the Cedar River channel construction and
19 operation account, the Central Washington University capital projects
20 account, the charitable, educational, penal and reformatory
21 institutions account, the common school construction fund, the county
22 criminal justice assistance account, the county sales and use tax
23 equalization account, the data processing building construction
24 account, the deferred compensation administrative account, the deferred
25 compensation principal account, the department of retirement systems
26 expense account, the drinking water assistance account, the Eastern
27 Washington University capital projects account, (~~the education~~
28 ~~construction fund, the emergency reserve fund,~~) the federal forest
29 revolving account, the health services account, the public health
30 services account, the health system capacity account, the personal
31 health services account, the highway infrastructure account, the
32 industrial insurance premium refund account, the judges' retirement
33 account, the judicial retirement administrative account, the judicial
34 retirement principal account, the local leasehold excise tax account,
35 the local real estate excise tax account, the local sales and use tax
36 account, the medical aid account, the mobile home park relocation fund,
37 the municipal criminal justice assistance account, the municipal sales
38 and use tax equalization account, the natural resources deposit
39 account, the perpetual surveillance and maintenance account, the public

1 employees' retirement system plan 1 account, the public employees'
2 retirement system plan 2 account, the Puyallup tribal settlement
3 account, the resource management cost account, the site closure
4 account, the special wildlife account, the state employees' insurance
5 account, the state employees' insurance reserve account, the state
6 investment board expense account, the state investment board commingled
7 trust fund accounts, the supplemental pension account, the teachers'
8 retirement system plan 1 account, the teachers' retirement system
9 combined plan 2 and plan 3 account, the transportation infrastructure
10 account, the tuition recovery trust fund, the University of Washington
11 bond retirement fund, the University of Washington building account,
12 the volunteer fire fighters' relief and pension principal account, the
13 volunteer fire fighters' relief and pension administrative account, the
14 Washington judicial retirement system account, the Washington law
15 enforcement officers' and fire fighters' system plan 1 retirement
16 account, the Washington law enforcement officers' and fire fighters'
17 system plan 2 retirement account, the Washington school employees'
18 retirement system combined plan 2 and 3 account, the Washington state
19 patrol retirement account, the Washington State University building
20 account, the Washington State University bond retirement fund, the
21 water pollution control revolving fund, and the Western Washington
22 University capital projects account. Earnings derived from investing
23 balances of the agricultural permanent fund, the normal school
24 permanent fund, the permanent common school fund, the scientific
25 permanent fund, and the state university permanent fund shall be
26 allocated to their respective beneficiary accounts. All earnings to be
27 distributed under this subsection (4)(a) shall first be reduced by the
28 allocation to the state treasurer's service fund pursuant to RCW
29 43.08.190.

30 (b) The following accounts and funds shall receive eighty percent
31 of their proportionate share of earnings based upon each account's or
32 fund's average daily balance for the period: The aeronautics account,
33 the aircraft search and rescue account, the central Puget Sound public
34 transportation account, the city hardship assistance account, the
35 county arterial preservation account, the department of licensing
36 services account, the economic development account, the essential rail
37 assistance account, the essential rail banking account, the ferry bond
38 retirement fund, the gasohol exemption holding account, the grade
39 crossing protective fund, the high capacity transportation account, the

1 highway bond retirement fund, the highway construction stabilization
2 account, the highway safety account, the marine operating fund, the
3 motor vehicle fund, the motorcycle safety education account, the
4 pilotage account, the public transportation systems account, the Puget
5 Sound capital construction account, the Puget Sound ferry operations
6 account, the recreational vehicle account, the rural arterial trust
7 account, the safety and education account, the small city account, the
8 special category C account, the state patrol highway account, the
9 transfer relief account, the transportation capital facilities account,
10 the transportation equipment fund, the transportation fund, the
11 transportation improvement account, the transportation revolving loan
12 account, and the urban arterial trust account.

13 (5) In conformance with Article II, section 37 of the state
14 Constitution, no treasury accounts or funds shall be allocated earnings
15 without the specific affirmative directive of this section.

16 NEW SECTION. **Sec. 9.** The following acts or parts of acts are each
17 repealed:

18 (1) RCW 43.135.010 (Findings--Intent) and 1994 c 2 s 1 & 1980 c 1
19 s 1;

20 (2) RCW 43.135.025 (General fund expenditure limit--Computation--
21 Annual limit adjustment--Definitions--Emergency exception--State
22 treasurer duty, penalty) and 1994 c 2 s 2;

23 (3) RCW 43.135.035 (Tax legislation--Conditions and restrictions--
24 Ballot title--Declarations of emergency--Taxes on intangible property--
25 Expenditure limit to reflect program cost shifting or fund transfer)
26 and 1994 c 2 s 4;

27 (4) RCW 43.135.045 (Emergency reserve fund--Excess balance to
28 education construction fund--Appropriation conditions) and 1994 c 2 s
29 3;

30 (5) RCW 43.135.055 (Fee increase restriction--Exception) and 1997
31 c 303 s 2 & 1994 c 2 s 8;

32 (6) RCW 43.135.060 (Prohibition of new or extended programs without
33 full reimbursement--Transfer of programs--Determination of costs) and
34 1998 c 321 s 15 (Referendum Bill No. 49), 1994 c 2 s 5, 1990 2nd ex.s.
35 c 1 s 601, 1990 c 184 s 2, & 1980 c 1 s 6;

36 (7) RCW 43.135.080 (Reenactment and reaffirmation of Initiative
37 Measure No. 601--Continued limitations--Exceptions) and 1998 c 321 s 14
38 (Referendum Bill No. 49);

1 (8) RCW 43.135.902 (Short title--1994 c 2) and 1994 c 2 s 10;
2 (9) RCW 43.135.903 (Severability--1994 c 2) and 1994 c 2 s 12;
3 (10) RCW 43.135.904 (Effective dates--1994 c 2) and 1994 c 2 s 14;
4 and
5 (11) RCW 43.88.033 (State expenditure limit--Budget document to
6 reflect) and 1994 c 2 s 7.

7 NEW SECTION. **Sec. 10.** This chapter may be known and cited as the
8 Taxpayer and Children's Protection Act.

9 NEW SECTION. **Sec. 11.** If any provision of this act or its
10 application to any person or circumstance is held invalid, the
11 remainder of the act or the application of the provision to other
12 persons or circumstances is not affected.

13 NEW SECTION. **Sec. 12.** Sections 1 through 7 and 10 of this act are
14 each added to chapter 43.135 RCW.

15 NEW SECTION. **Sec. 13.** This act takes effect January 1, 2001:
16 PROVIDED, That the first fiscal year for which the state tax revenue
17 limit shall be in effect is the fiscal year beginning on July 1, 2001.

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